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# **Can moral potency and psychological risk close the gap between ethical beliefs and unacceptable consumer behavior?**

Thamer Baazeem, King Abdulaziz University, Saudi Arabia  
Paula Dootson, Queensland University of Technology, Australia  
Gary Mortimer, Queensland University of Technology, Australia  
Larry Neale, Queensland University of Technology, Australia

## **ABSTRACT**

Depending on how they perceive risk, consumers may not always act according to their ethical beliefs, exposing a gap between beliefs and behavior. We investigate the effect of moral potency on perceived psychological risk of committing an unacceptable behavior. The results suggest that perceived risk is triggered by moral ownership.

## **INTRODUCTION**

The free market and most consumer behavior theories assume that consumers are free to make consumption choices according to their wishes, within legal, market and economic constraints. Of interest to consumer ethics research is how ethical beliefs can inform consumer decision-making, especially when it comes to engaging in behaviors that violate an individual's ethical beliefs. To date, a great deal of consumer ethics research has focused on how consumers perceive an array of consumer behaviors, in order to gauge their ethical stance. This research takes a contrasting perspective examining how to enhance consumer motivation to act on those ethical beliefs, by using two important concepts; moral potency (Hannah and Avolio 2010) and psychological risk perception (Stone and Gronhaug 1993). Findings from this research will help explain the 'gap' between consumer ethical beliefs and engagement in unacceptable consumer behavior.

This study addresses the research question '*does an individual's moral potency influence his/her perceived psychological risk of performing an unacceptable consumer behavior?*' We

empirically test hypotheses pertaining to the capacity of consumer moral potency components to predict variation in consumer perceived psychological risk. The findings contribute to consumer ethics research by examining moral potency in the consumer context, and extend knowledge in consumer ethics by exploring the mechanisms by which consumers are motivated to comply with their ethical beliefs.

## **LITERATURE REVIEW**

Moral potency is “a psychological state” where an individual feels a “sense of ownership over the moral aspects of one’s environment, reinforced by efficacy beliefs in the capabilities to act to achieve moral purpose in the domain, and the courage to perform ethically in the face of diversity and persevere through challenges” (Hannah and Avolio 2010, 292). When moral potency is high, individuals will be driven to engage in behavior consistent with their ethical beliefs. Moral potency was originally introduced to explain the development of business leaders who have the conation to act on their moral beliefs in the area of organizational behavior. Therefore, there is an opportunity to explore its applicability in the consumer context to explain consumer adherence to their ethical beliefs. We propose that moral potency captures a consumer’s motivation to behave in a way that is consistent with their ethical beliefs. Moral potency is suggested to provide a broader view of consumer ethical behavior than moral identity, which is limited in accounting for the complexity of consumer identities, or moral judgment, which was found to explain less than 20% of variance in consumer ethical behavior (Hannah and Avolio 2010). Hence, application of moral potency in the consumer context provides additional knowledge on potential intentions and actions beyond what is already known in the consumer ethics field.

There are three components of moral potency; moral ownership, moral efficacy and moral courage. First, moral ownership is the sense of psychological responsibility an individual feels for their own actions and the actions of others around them (Hannah, Avolio, and May 2011). The higher the individual's perceived moral ownership, the less likely the individual will be to disengage from their actions (Hannah and Avolio 2010), making it more difficult to engage in unacceptable consumer behaviors without experiencing dissonance and negatively updating their self-concept (Mazar, Amir, and Ariely 2008). Second, moral efficacy is an "individual's belief in his or her capabilities to organize and mobilize the motivation, cognitive resources, means, and courses of action needed to attain moral performance, within a given moral domain, while persisting in the face of moral adversity" (Hannah et al. 2011, 675). Similar to the concept of self-efficacy, an individual's belief they can perform a specific behavior (Fishbein and Ajzen 1975), moral efficacy focuses on the individual's belief they can perform the moral behavior in a given circumstance. Third, moral courage is a commitment to ethical values, an awareness of the danger involved in supporting those values, and a willingness to endure that danger (Kidder 2003). For example, when there is an opportunity for a consumer to illegally download a newly released TV series for free, rather than pay a high price to legally attain it, a consumer who chooses to adhere to his/her high level of ethical belief that stealing is wrong, will likely forgo illegally downloading the series. The 'danger' associated with moral courage is that the consumer forgoes the opportunity to watch the TV series until they can afford to purchase the legal copy, or they incur the high cost of purchasing it. Moral courage enables an individual to be virtuous, regardless of the external factors that might affect their beliefs (Hannah and Avolio 2010; Sekerka and Bagozzi 2007).

Theoretically, a sense of moral ownership needs to be formed before an individual will perform a specific behavior (Kohlberg and Candee 1984). However, a person can take moral ownership over an action and have strong moral courage to adhere to their ethical beliefs, yet still remain inactive because of a lack of moral efficacy – a lack of confidence in performing the behavior (Hannah et al. 2011). Further, a person might feel highly responsible to act through a high perception of moral ownership, and believe that he/she has the capability – moral efficacy – to do so, but may fail to act due to lack of moral courage (Sekerka and Bagozzi 2007). Before moral potency (moral ownership, moral efficacy, and moral courage) can inform a consumer's behavior, we propose it first effects the consumer's perception of psychological risk.

When a consumer chooses to engage in a behavior their ethical beliefs deem unacceptable, they will likely experience cognitive dissonance in the form of psychological risk (Bebeau 2002; Trevino and Youngblood 1990). Psychological risk is the risk that the consumption choice the consumer makes will have a negative effect on their peace of mind, or on their self-perception (Garner 1986; Taylor 1974). The extent to which a consumer experiences psychological risk could be explained by the three components of moral potency. Hannah and Avolio (2010) found that leaders with higher levels of moral ownership were less likely to morally disengage from their behavior. We propose that a consumer with a high level of moral ownership will perceive more psychological risk of violating his/her ethical beliefs, given the lower probability to morally disengage from their actions. Moral ownership, with a support from a feeling of competency (i.e. moral efficacy), and commitment (i.e. moral courage) will lead to a better behavioral outcome (Osswald, Greitemeyer, Fischer, and Frey 2009). The 'better behavioral outcome' is the behavior that is most consistent with the individual's ethical beliefs. This research considers the effect of the three moral potency components on the perceived

psychological risk of performing an unacceptable consumer behavior. Therefore we make the following hypotheses:

**H1:** The greater the individual's moral ownership, the more perceived psychological risk the individual will experience when considering an unacceptable behavior.

**H2:** The greater the individual's moral efficacy, the more perceived psychological risk the individual will experience when considering an unacceptable behavior.

**H3:** The greater the individual's moral courage, the more perceived psychological risk the individual will experience when considering an unacceptable behavior.

## **METHOD**

The study gathered data via an online questionnaire from 560 participants in Australia, Canada, the United Kingdom and the United States recruited through email. The sample contained an approximately even gender split, and around 52% of the participants were between 18 and 30 years old, while nearly 30% were in the 31-40 age brackets with the rest of 41 years and over. More than 70% of the participants had a university degree. Among other questions, respondents were given the items to measure their moral ownership, moral efficacy and moral courage. Participants were subsequently presented with a fictional scenario about an unacceptable consumption behavior. Respondents then completed the items to measure perceived psychological risk. Each of the constructs was measured on a five point Likert scale (1= totally disagree, 5 = totally agree). Cronbach's Alpha for all the scales (moral ownership, moral efficacy, moral courage and psychological risk perception) was in the range of acceptable levels (see Table 1). Structural equation modelling was used to test the relationships between each of the moral potency constructs and psychological risk. Consistent with Anderson and Gerbing (1988) recommendation to follow a two-step approach to structural equation modelling,

the measurement model first assessed convergent and discriminant validity prior to the structural model assessing nomological validity.

## RESULTS

An inspection of the overall fit indices/indexes revealed an excellent fit of the model,  $\chi^2 = 620.508$ ;  $df = 71$ ;  $\chi^2/df = 8.7$ ; GFI = 0.968; CFI = .967; IFI = .967; and RMSEA = .053. All the factor loadings, ranging from .799 to .587, were significant at  $p < .01$ , suggesting a convergent validity of the measures. Further, to assess discriminant validity, the correlation coefficients between each pair of factors were examined, and ranged from .165 to .730. These correlations are less than .85, which supports the discriminant validity of the construct (Kline 2005).

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Insert Figure 1 here

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The relationships between the three moral potency constructs (moral ownership, moral efficacy, and moral courage) and psychological risk were subsequently measured. Results are illustrated in Figure 1. The impact of moral ownership (H1) on perceived psychological risk was supported ( $\beta = .515$ ,  $p < .001$ ,  $R^2 = .062$ ). However, the impacts of moral efficacy (H2) ( $\beta = .009$ ,  $p > .05$ ) and moral courage (H3) ( $\beta = -.062$ ,  $p > .05$ ) on perceived psychological risk were not supported. A summary of the empirical results (SEM, reliability, and means) is found in Table 1. Although not all of the hypotheses in this study were confirmed, valuable theoretical discussion can be extrapolated from the psychological reinforcement of moral ownership.

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Insert table 1 about here

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## **DISCUSSION**

The aim of this study was to provide a better understanding of the complexities of consumer perceptions around unacceptable behaviors using the concepts of moral potency and perceived risk. The three moral potency components provide an individual with the psychological resources that translate thoughts into behavior (Hannah and Avolio 2010; Hannah et al. 2011), but not before it triggers a degree of psychological risk perception, which could inhibit engagement in unacceptable consumer behavior. However, the results indicate that only moral ownership effectively triggers perceived psychological risk.

To explain the value in the relationship between moral ownership and psychological risk perception, we must consider the concept of neutralization. Neutralization techniques work to reduce cognitive dissonance experienced from performing a behavior that contradicts with one's underlying values and beliefs (Festinger 1962; Sykes and Matza 1957). One of the neutralization techniques that can be used to explain the findings is 'denial of responsibility'. Sykes and Matza (1957) state that the 'denial of responsibility' technique is used when individuals perceive themselves as being acted upon, rather than acting on their own accord. As a result, the individual deflects responsibility for a behavior. This creates disengagement between an individual and their actions. Failing to feel psychologically responsible for one's actions reflects an individual's low moral ownership. An individual with low levels of moral ownership is more likely to practice self-deception, misleading themselves into believing that their principles are still being supported (Hannah and Avolio 2010), potentially facilitated through the use of the 'denial of responsibility' neutralization technique. According to our results, a low moral



ownership will result in low perceptions of psychological risk, which could potentially facilitate engagement in unacceptable consumption behaviors. This aligns with previous research that low perceived responsibility leads to self-deceit, which leads individuals to justify their unacceptable behaviors in order to protect their own self-image (Bandura 1999).

However, a question remains, why was psychological risk perception significantly predicted by moral ownership but not moral efficacy and moral courage? Perhaps the reason can be found from the psychological underpinnings of moral ownership. The mechanisms that underpin moral ownership are informed by psychological concepts that engage with the internal identity of an individual more than moral efficacy and moral courage (Hannah and Avolio 2010). Examples of these psychological concepts are self-regulation, self-verification and self-concordance. Moral ownership is central to these concepts being internally activated, which make any psychological concern positively linked to moral ownership. This discussion does not mean that these psychological concepts do not inform moral courage and moral efficacy. However, because moral courage and moral efficacy mean to exercise responsibility (Hannah and Avolio 2010), it can be argued that they come after a consumer has formed a certain level of psychological risk. There is an opportunity for future research to investigate if moral courage and moral efficacy could predict other types of perceived risk such as financial, time, social, and physical.

A limitation of this research is that actual behavior was not measured, but instead risk was used as the proxy for behavior. Future research would benefit from examining the relationships between moral potency, perceived risk and actual consumer behavior, to provide insight on the gap between knowing a behavior is wrong yet performing it anyway (e.g., Bonner and O'Higgins 2010), as called for in the consumer ethics (e.g., Neale and Fullerton 2010) and moral psychology fields (Hardy 2006; Trevino, Weaver, and Reynolds 2006).

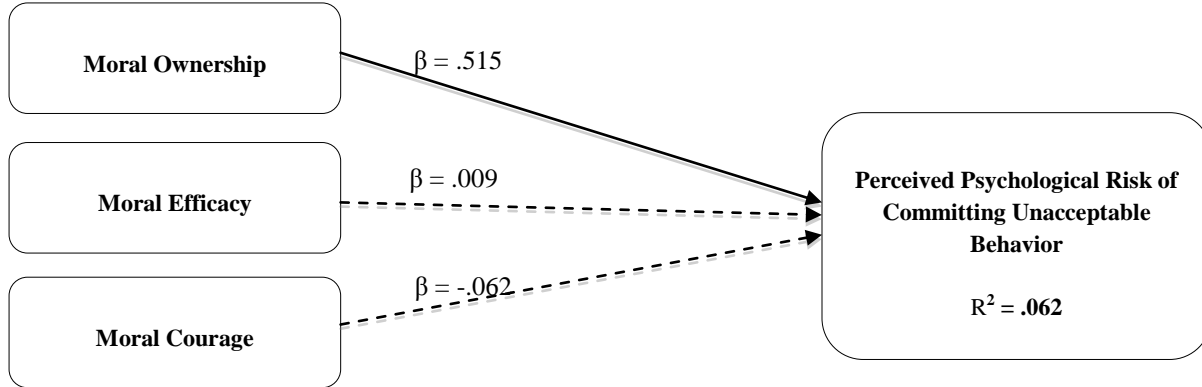
From a practical perspective, future research would benefit from investigating ways to counter this effect by triggering a sense of moral ownership in the consumer, to heighten perceived psychological risk, reducing the possibility of engagement in unacceptable consumption behaviors. Organizations could benefit from these insights by implementing deterrence mechanisms that trigger a consumer's moral ownership, in a hope of promoting acceptable consumption behavior. Some research has begun in this area with moral triggers that increase the individual's awareness of general moral standard (e.g., honesty) to reduce instances of deviance (Mazar et al. 2008; Shu, Mazar, Gino, Ariely, and Bazerman 2012). Whether these moral triggers have a similar outcome for moral ownership is an opportunity for future research. However, it is likely that persuading an individual to take responsibility for their actions will require a different approach than reminding consumers to be 'honest'. The findings of this study contribute to consumer ethics research by examining moral potency in the consumer context, and extend knowledge in consumer ethics by exploring the mechanisms by which consumers are motivated to comply with their ethical beliefs.

**Table 1.** Summary of empirical results

		Effects					
Mean (SD)	$\alpha$	Dependent Variables	Independent Variables	Estimate	SE	$p$	SMC
3.30 (1.36)	.93	Perceived Psychological Risk					.062
4.09 (0.77)	.70		Moral Ownership	<b>.515</b>	<b>.102</b>	<b>.000</b>	
3.70 (0.77)	.75		Moral Courage	-.062	.074	.406	
3.87 (0.76)	.80		Moral Efficacy	.009	.072	.902	

N= 560, Model fit indices:  $\chi^2= 620.508$ ,  $df = 71$ ,  $\chi^2/df = 8.7$ , GFI = .968, CFI = 0.967, IFI = .967, RMSEA = .053. SMC= Square Multiple Correlations

**Figure 1.** Theoretical model of the relationships between the components of moral potency and Psychological risk perception



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